Water Pumps

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Summary

Recent growth within the mining and environmental sectors together with a severe drought have raised demand for water pumps. Total demand for water pumps is in the vicinity of US$292 million and is forecast to increase by 10 percent annually up until 2008.

Market Overview

According to Pump Industry Australia, annual domestic pump sales currently exceed A$600 (US$450) million. It is estimated that approximately 65 percent of this total relates to the sale of water pumps. Imports satisfy over 60 percent of local demand.

Despite the high level of import concentration, local manufacturing is well established. There are about 50 local manufacturers of pumps employing more than 2,500 people.

The end-user market for pumps varies according to the application of the individual pump, and includes to name a few, the air conditioning, chemical, wastewater, process control, agricultural and mining industries. These industry sectors vary greatly, and pump dealers may typically concentrate on one or two of them. Dealers located in cities are more likely to sell into the industrial, or air conditioning/refrigeration sectors than dealers in the country, where the market demand is more for agricultural or mining applications.

Industry contacts describe the water pump market in Australia as well stocked with almost every combination imaginable. The pump market is particular about its requirements and places a very high emphasis on quality and price.

Price is extremely important in this very competitive market. Pumps for basic applications, and many of these are centrifugal pumps, have to be competitively priced as they compete with imported, mainly Chinese, products.

Best prospect opportunities have been difficult to identify given the highly competitive nature of the industry. However, contacts suggest that emerging opportunities can be found within water, waste water, and storm-water treatment and disposal techniques.

Market Trends

For most of the 1990s, the market for pumps was viewed as essentially static, with regular pump requirements from the mining, chemical, agricultural, industrial, and environmental industries remaining approximately the same. Recent growth within the mining and environmental sectors together with a severe drought, have raised demand for water pumps. Total demand for, as well as imports of, water pumps and parts are forecast to increase by 10 percent annually up until 2008.

The drought that began in 2002, and that has plagued much of Australia, has placed the spotlight on water quality and supply as Australia's number one environmental concern. Key major dams are operating at less than 50 percent of their capacity. Coupled with another growing environmental crisis – dry land and (to a lesser extent) surface water salinity, governments at all levels are grappling with the challenge of improving and ensuring Australia's future water supply. The effects of the drought have had an impact on two key sectors – irrigation and water/wastewater treatment.

Australia's biggest water user — agriculture — is a vital part of the national economy. The recent experience in Australia has shown that the long-term sustainability of water resources must be carefully managed, against the competing demands of economic viability and growing demands of agriculture, human consumption and industry. As a result, water efficient farming technologies and delivery systems are becoming more important

Water and wastewater treatment is the environmental industry's largest sector. Together with the effects of the drought, population growth has been the major factor behind investment in water treatment. More stringent regulations and a related increase in public concern over environmental issues, water quality and water reuse underlie investment in wastewater treatment.

The mining industry is also currently experiencing a growth phase. Capital spending on mining equipment, plant and machinery totaled US$8.2 billion and continues to rise.

On the industrial side, the market for water pumps is much smaller and appears to be over-catered for by both foreign and local manufacturers. Future growth in demand will be largely dependent on general economic growth.

Competition

The highly fragmented and competitive nature of the Australian pump industry has made it very difficult to gauge the relative market shares of key suppliers. Some local producers develop and manufacture their own products, while others manufacture under license for international firms. Many pump products described as being made locally are in fact imported in parts then assembled.

The U.S. is a major supplier of water pumps although it is difficult to accurately assess import market shares from official trade data. For centrifugal pumps, the U.S. and Italy both have an equal market share of 16 percent. The third largest supplier is China (10 percent) although it appears that China has increased its market share over the past few years. The U.K, Germany and Japan are also considered major suppliers.

Some of the key manufacturers of water pumps are :

Davey Products
Website: **www.davey.com.au**

Grundfos Pumps
Website: **www.grundfos.com**

ITT Flygt
Website: **www.flygt.com.au**

KSB Ajax Pumps
Website: **www.ksbajax.com.au**

Mono Pumps
Website: **www.mono-pumps.com**

Pentair Water Australia
Website: **www.onga.com.au**

End Users

The major end-use sectors are public utilities, agriculture (irrigation), and mining and mineral processing. Each of these sectors accounts for between 15-20 percent of total demand for water pumps.

Government-owned utilities are a significantly large end-user group of water pumps. Responsibility for running public water and wastewater utilities falls with the various state governments. The Federal Government, except through legislative influence, plays no direct role in the management of public utilities. On a state -by-state basis, responsibility for water and wastewater treatment can be broken down as follows:

- The Australian Capital Territory (ACT) - Water services in the ACT fall under ACTEW Corporation (previously the ACT Electricity and Water Agency). The ACT's main treatment facility is known as the Lower Molonglo Water Quality Control Centre.

- **New South Wales (NSW)** – Water services for the two major urban areas of NSW which include Sydney, the Blue Mountains and Illawarra together with the Newcastle and Hunter Valley region are the responsibility of the Sydney Water Corporation and Hunter Water Corporation respectively. Part of Sydney Water's operations (specifically design, construction and scientific services) has been assigned to Australian Water Technologies (AWT). Sydney Water currently has let four water treatment plants (Prospect, McArthur, Illawarra and Woronora) as build-own-operate schemes. Areas not covered by Sydney Water or Hunter Water are looked after by the Broken Hill Water Board, the Cobar Water Board, six county councils and quite a few local councils.

- **Queensland (QLD)** – Urban water supply and sewage services in Queensland are provided by 126 local authorities and 31 Aboriginal and Islander community councils. Brisbane City Council, as the largest local government agency in Australia, still owns and manages water and sewerage infrastructure.

- **Victoria (VIC)** - Victoria which was the first state to corporatize its water authority (1992) has five separate corporate entities including: Melbourne Water, the bulk supplier of water and sewage treatment services; Yarra Valley; South East and City West. A further 15 independent regional water authorities cover the rural areas of Victoria.

- **Western Australia (WA)** - Water and wastewater services are provided by the Water Corporation. Under license from the Office of Water Services, there are 22 small local authorities which manage treatment plants. There are about 10 towns receiving water and sewage services from mining companies.

- **South Australia (SA)** - The capital of SA, Adelaide, has four wastewater treatment plants, all contracted out to United Water, an international consortium. United Water is affiliated with RWE Thames Water and Veolia Water.

- **Northern Territory (NT)** - The NT's water and wastewater services are provided by the Power and Water Authority.

- Tasmania (TAS) **- Responsibility for water and sewage services falls with local councils.**

Identify principle public and private sector end-user groups driving demand along with estimated share of consumption and trends. How do end-users make purchasing decisions.

Market Access

Australia and the United States recently enacted a Free Trade Agreement (FTA). As of January 1, 2005, duties on more than 99 percent of tariff lines, including pumps, have been eliminated. Prior to the FTA, the maximum general tariff on imported pumps was five percent.

Both imported and locally manufactured equipment are subject to a Goods and Services Tax (GST). The GST is a broad-based tax of ten percent on the supply of most goods and services consumed in Australia. It is akin to the value-added tax systems in Canada and Europe.

The Australian standard for water pumps is:

AS 2417-2001 : Rotodynamic pumps - Hydraulic performance acceptance tests - Grades 1 and 2

Abstract: This standard specifies hydraulic performance tests for acceptance of rotodynamic pumps (centrifugal, mixed flow and axial pumps). It is applicable to pumps of any size and to any pumped liquids behaving as clean cold water. This Standard contains two grades of accuracy of measurement - grade 1 and grade 2. This Standard is identical with and has been reproduced from ISO 9906:1999.

This standard can be purchased from:

Standards Australia National Sales Center
1 The Crescent
Homebush NSW 2140
Australia
Tel: (61-2) 9746 4748
Fax: (61-2) 9746 4765
Email: sales@standards.com.au
Website: www.standards.com.au

In addition, the AIRAH (Australian Institute of Refrigeration, Air Conditioning and Heating) produces a booklet titled centrifugal pumps which is a 26 page guideline on election and application of centrifugal pumps in the building industry for pumping water and other fluids. It covers pump characteristics, selection, application, testing and system fault finding. The booklet can be purchased from AIRAH's website at www.airah.org.au

Market Entry

In Australia, manufacturers sell pumps through their own distribution chain, or through dealerships that wholesale or retail the product depending on its end use. The range of pumps supplied by one manufacturer can be extremely diverse.

Dealers quote wholesale prices, adding a 10% goods and services tax. Price is extremely important in this very competitive market. Also important are the appropriateness of pump specifications for the application; the quality of the pump; and added incentives such as after sales service; and warranties.

The standard forms of trade finance are all prevalent and widely used in Australia. In the private sector, bank and institutional financing is available. Historically, however, the banking sector has not been a major source of capital for small startup companies investing in the development of new technology.

The method, timing and arrangements for payment are a matter for negotiation between the U.S. exporter and Australian customer. The agreement reached will depend on the relative bargaining strengths of the two parties, the creditworthiness of the buyers and the financial resources of the seller. Generally, however, payment terms of between 30-60 days are considered the norm for small-to-medium consignments and up to 90 days for large volume purchases. The method of payment is usually by le tter of credit or sight draft.

Key Contacts

Pump Industry Association Incorporated
P.O. Box 55
Stuarts Point 2441
Tel/Fax: 61-2-6569 0160
Email: pumpsaustralia@bigpond.com
Website:www.pumps.asn.au
Purpose: National association representing the interests of the Australian pump industry.

Australian Water Association (AWA)
PO Box 388
Artarmon NSW 2064
Tel: 61-2-9413 1288
Fax: 61-2-9413 1047
Email: info@awa.asn.au
Website: www.awa.asn.au
Contact: Mr Chris Davis, Executive Director
Purpose: Leading water industry association in Australia. Mission is to promote responsible management and conservation of the water environment. Principal Australian link in the international water industry network.

Environment Business Australia
PO Box 5364
Kingston ACT 2604
Tel: 61-2-6270 1333
Fax: 61-2-6270 1300
Email: eba@environmentbusiness.com.au
Website: www.environmentbusiness.com.au
Contact: Ms Fiona Wain, Chief Executive Officer
Purpose: National association representing providers of environmental management goods and services. Works closely with Federal and State Government organisations. List government and trade/professional associations only, no company information.

Upcoming Trade Shows/Events

Enviro 06 Conference & Exhibition
Date: May 8-10, 2006
Location: Melbourne Exhibition and Convention Centre
Organizer: Quitz Pty Ltd
PO Box 632
Willoughby NSW 2068
Tel: 61-2-9410 1302
Fax: 61-2-9410 0036

Email: quitz@bigpond.net.au
Enviro is a biannual trade show aimed at the general environmental industry.

The U.S. Commercial Service in Australia is located at Level 59 MLC Centre, 19-29 Martin Place, Sydney NSW, and can be contacted via e-mail at: office.box.Sydney@mail.doc.gov; or visit our website: www.buyusa.gov/australia

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